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UNITED STATES SHIPPING BOARD  
WASHINGTON

OFFICE OF THE CHAIRMAN

June 29, 1922.

Colonel Robert H. Montgomery,  
c/o Lybrand Ross Brothers & Montgomery,  
110 William Street,  
New York, N. Y.

My dear Colonel:

The fiscal year of the Shipping Board has just ended, and with it marks really the first results of my incumbency as Chairman.

The mess in the Accounting Department which confronted me when I came seemed as if it would be impossible for anyone ever to straighten. Through the efforts of you and your associates at the end of the year I find the bookkeeping mess not only straightened, but the Shipping Board well on the highway to efficient accounting and cost system.

Credit must be entirely given to your personal sacrifice and the splendid work of your associates. Messrs. Sinclair and Craemer, who are still on the job, are doing remarkable work, and I feel that I owe it to myself to thank you for letting them remain with us.

Cordially yours,

*A. O. Rasker*  
Chairman.

## One of the Problems Encountered in the Examination of Department Store Accounts

By HERMON F. BELL

(*New York Office*)

The writer was asked for an article upon the subject, "Some problems encountered in the examination of department store accounts." He has taken the liberty of changing the word "some" to "one" and in this article, instead of scheduling and discussing some of the many problems that are peculiar to department store accounts or characteristic thereof, treats of but a single topic, namely, the attitude of the auditor or accountant toward the store management, and more particularly toward the department store controller or chief accounting officer by whatever title known.

This article is not concerned with the attitude of store executives toward the auditor, except in so far as their attitude is dependent upon the auditor himself. It is said that someone once spoke to Carlyle concerning a certain woman, saying that she accepted the world as it was. The grim reply was that she had better do so. The auditor may as well first as last, indeed far better, make up his mind to accept as they are the more important personalities he comes in contact with in a department store examination. It is not the task of the auditor, or as we might say it does not fall within the scope of his audit, to attempt to change the characteristics or the personality of the store controller.

Except in very rare instances the auditor is neither expected nor called upon to report as to the fitness and capacity of the controller. The latter is not on trial. The auditor's personal likes or dislikes should not affect his attitude. Rather he should ordinarily enter upon his work with a distinct prejudice in favor of the controller

and determined to have business relations with him dignified, friendly and courteous. It is well to remind oneself that the controller has probably been selected for his present position by a management that is wise, and also that the controller has doubtless proven his worth to the business over a considerable period of time, while the auditor, if not the firm that he represents, may be coming in as a total stranger.

While an audit may be carried out with technical correctness of detail by one following a prescribed program or one who emulates machine-like precision and accuracy, the writer feels that to make oneself really useful and to deserve and obtain the enthusiastic commendation of the client, whether expressed or not, the auditor needs to put himself in the position of the owner or manager of the business and proceed as he would under such circumstances wish the audit to be carried out. The auditor has technical knowledge of how to proceed but such knowledge requires to be energized by something akin to an owner's interest. Furthermore, just as at the commencement of an engagement the auditor will ascertain first of all the form of business organization, so also it may prove advantageous as soon as possible to acquaint oneself with the quality and spirit of the business leadership, and also to consider with what type of office manager one has to deal.

In saying this, it is not implied, nor should the inference be drawn, that the auditor should vary his principles or raise or lower his standards, after the alleged manner of professional

politicians. On the contrary it is because the writer believes that it is incumbent upon the auditor to do his work in the best possible manner and so that when completed he himself will know the work to have been well and thoroughly done, that the advice is given to seek out the lines of least resistance and follow them wherever possible, to the end that friction may be avoided and the work proceed quickly, quietly and smoothly.

The following are presented as among the salient features of right attitude on the part of an auditor toward a store controller:

1. *The auditor's procedure and bearing should be such as to instil and promote confidence (a) in his own ability, (b) in his discretion.*

It is not enough for one just barely to accomplish his task, but clients expect an audit or examination to proceed easily. We do not like to ride in a train or an automobile that pants and puffs and makes us feel that it is working to the limit and may at any time cease to function. It makes us nervous to listen to a speaker, even if a total stranger, who seems to be proceeding with great effort and who conveys the impression that any moment he may break down and have to stop.

It should not be difficult for one with a reasonable amount of experience in department store auditing to convey the impression that he knows how to proceed. Even with limited experience this should also be possible, but in such circumstances questions should be asked cautiously and sparingly, lest one display a lack of knowledge as to the details of department store procedure, which, while not at all of such a nature as to interfere with good work, may lead to doubt on the part of the store controller as to the auditor's ability. On the other hand it is of course possible to waste

much time which could be saved by judicious questions.

Equally and perhaps even more important than to instil confidence in one's ability is to radiate a feeling of trustworthiness. Unless store executives, including the controller, have a sense of the auditor's reliability and that he will hold in strict secrecy knowledge gained by examination of the books, they will hesitate before volunteering helpful information. To promote the sense of reliability, one must first be reliable. A trifier, or a talkative person, either about his own affairs or the affairs of others, cannot instil confidence. The auditor should be a good listener and a discreet talker.

2. *The auditor should appreciate the scope and diversity, as well as the importance, of the work of the controller and justly magnify that position.*

Not only is it in itself unjust for an auditor intentionally to belittle the office and work of a department store controller, but it is also very short-sighted. A single line of fixed length, ———, for example, does not represent the combined work of controller and professional accountant. If such were the case, the less of the line assigned to one, the greater would be the prestige of the other. A better, but of course only a partial, illustration would be to designate the duties and prestige of each by lines running parallel, each increasing as the other lengthens.

A very inferior controller will not begin to sense all the problems and possibilities of his position, neither will he appreciate and value the work and advice of the auditor, nor be interested in improvement and betterment of accounting system and procedure. The abler the management of a store's accounting work, the more questions there are upon which to obtain counsel and advice and the more

real service on the auditor's part will be valued and appreciated. But it must be real service. This is not an unreasonable requirement.

So obvious is it that an accountant does not build up his own practice or his prestige by disparaging or belittling the work of a store controller that it may be asked why mention it at all. Because while none of us would deliberately belittle the work of a controller or a store's accounting department, none the less, the same result may follow, in greater or less degree, from captious criticism of trifles. What must be the reaction of a capable and busy store controller when undue emphasis is placed upon a few minor errors of some of his subordinates? He will wish to know of errors but much depends upon the manner of reporting them. Unless these errors are of principle or betoken laxity, does not the auditor detract from his own position by wasting much time upon this phase of the work, unless special circumstances or conditions require it? Are there not many items of more importance to report by way of helpful suggestion?

3. *The auditor should magnify his own work, not by word but by real service.*

In this article no attempt is made to present detailed problems of department store accounts, nor even to mention the many phases of a store controller's work. In view of the technical problems of department stores and highly specialized procedure, the question may be raised how an auditor can become sufficiently familiar with a store's accounts to be helpful beyond the more or less limited scope of his audit.

It is not to be expected that the auditor will have the same grasp upon certain details of the accounts that the controller has. Yet on the other hand the auditor holds a peculiarly favorable position, especially when he

has for several years conducted an audit. Just as the controller is so placed as to be in constant touch with store problems and the auditor can gain much from his cooperation, so the auditor should be able to contribute from his accounting experience in many lines of business. Because of his detached and disinterested position, and because he is not so absorbed in questions of office management and daily routine or so much influenced by department store habits and customs, the auditor should have at times a clearer view of some phases of the accounts, and be of great help in the solution of problems and in an advisory capacity.

4. *Personal relations.*

It is not the intention to discuss in detail personal relations between the auditor and the controller. It is felt that any remarks or maxims may all be summed up in the one suggestion that the auditor's bearing and attitude toward the controller should always be dignified, independent and courteous, and, most important of all, governed by right motives. An auditor should never sacrifice his independence.

It is often through little things that the auditor gains or loses in confidence and prestige. One case comes to mind where a department store controller always felt suspicious of an auditor (not representing our firm) because, rightly or wrongly, he felt that the auditor was seeking to carve out for himself a lucrative position in the store. Another case is recalled where an auditor lessened his own influence by failing to recognize that the controller was more than ordinarily careful of his records and neglecting to observe the same degree of care in the use of the books that was required of all subordinates in the office. Still another case comes to mind where an able accountant became *persona non grata* by a perpetual grouch. It was

frankly stated by the controller that he had troubles enough of his own and preferred an auditor who would enter with a smile and a pleasant word. While these may seem minor matters, it is often such minor matters that count heavily in gaining or losing the cooperation that is so essential for the best results.

*Summary and Conclusion.* This article has followed what is perhaps an unexpected course for a discussion of problems in department store auditing. It has confined itself to the consideration of personal attitude and relationships because too often the importance thereof seems to be overlooked. Is not one of the important questions for the auditor to consider (at least as important as how he shall verify the cash or test the inventory), how he can deserve the goodwill of the store management, and of the store controller with whom he comes into such close contact?

The opinion is sometimes expressed that after he has installed a good system in a business house and made a few audits, the accountant will find that his services are no longer needed, that he will in fact have worked himself out of a job. In some cases this may be true, due to special conditions. It is the belief of the writer, however, that in the great majority of engagements, where the audit is well carried out and the auditor has the right attitude toward his work, at each succeeding audit the auditor will not simply seem to be but actually be of greater service than theretofore.

Whatever may be said of goodwill on a client's balance sheet, it is the one and only positive contention of this article that goodwill is for the firm and also for each staff member one of the greatest assets that can be possessed, and that while goodwill of clients and of fellow workers is greatly to be desired, it is more important by far for each individual

that he have goodwill toward the firm's clients, toward the firm and toward other staff members. It is difficult to understand how, without active goodwill which expresses itself in service, one can either deserve or obtain the goodwill of others. Is it not worth while considering whether some of us do not at times unduly limit our professional usefulness and fail to build up the firm's business to the extent that it could and should be built up, by nothing else than by too little active goodwill on our part toward clients and client's representatives?

The reason for considering in this article only a single phase of department store accounting is the belief that for the best professional work correct knowledge and technical accuracy are of no greater importance than right attitude and qualities of mind and spirit. It is probable that if one who has become dissatisfied with his own achievements as an accountant will try to put himself in the client's place, and plan and carry out his work with imagination, initiative and goodwill, he will be surprised how an audit becomes transformed from a task to a pleasure and also at the improvement in his own work. Some dead leaves will sometimes remain on a tree all through the storms of winter and are expelled only through the power of new life with the rising of the sap in the springtime. So it is that sometimes a new motive or a new attitude towards one's work will accomplish easily what great efforts otherwise fail to do.

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#### From the Lawyers

"I want you to understand that I got my money by hard work."

"Why, I thought it was left you by your uncle."

"So it was; but I had hard work getting it away from the lawyers."



## A Message to Garcia\*

By ELBERT HUBBARD

*Pursuant to several requests which have come to the editor, we are reprinting in this issue of our JOURNAL Elbert Hubbard's masterpiece, which bears the above title. This gem of business literature first saw the light of day some twenty-three years ago. It is said that 40,000,000 copies of it have been printed and still it is as fresh as ever.*

*The article recently acquired renewed interest because of the belated official recognition of the exploit of Major Andrew S. Rowan (then a lieutenant), who was the hero of Hubbard's "preachment," by the conferring on him of the Distinguished Service Cross during the past summer.*

*The "Message to Garcia" contains a moral which every one of us may well take to heart and act upon.*

In all this Cuban business there is one man who stands out on the horizon of my memory like Mars at perihelion.

When war broke out between Spain and the United States, it was very necessary to communicate with the leader of the Insurgents. Garcia was somewhere in the mountain fastnesses of Cuba—no one knew where. No mail or telegraph message could reach him. The President must secure his co-operation and quickly.

What to do.

Some one said to the President: "There is a fellow by the name of Rowan who will find Garcia for you, if anybody can."

Rowan was sent for and given a letter to be delivered to Garcia. How the "fellow by the name of Rowan" took the letter, sealed it up in an oil-skin pouch, strapped it over his heart, in four days landed by night off the coast of Cuba from an open boat, disappeared into the jungle, and in three weeks came out on the other side of the Island, having traversed a hostile country on foot and delivered his letter to Garcia—are things I have no special desire now to detail. The point that I wish to make is this: McKinley gave Rowan a letter to be delivered to Garcia; Rowan took the letter and did not ask, "Where is he at?"

By the Eternal! there is a man whose form should be cast in deathless bronze and the statue placed in

every college of the land. It is not book-learning young men need, nor instruction about this and that, but a stiffening of the vertebræ which will cause them to be loyal to a trust, to act promptly, concentrate their energies, do the thing—"Carry a message to Garcia."

General Garcia is dead now, but there are other Garcias. No man who has endeavored to carry out an enterprise where many hands were needed, but has been well-nigh appalled at times by the imbecility of the average man—the inability or unwillingness to concentrate on a thing and do it.

Slipshod assistance, foolish inattention, dowdy indifference, and half-hearted work seem the rule: and no man succeeds, unless by hook or crook or threat he forces or bribes other men to assist him; or mayhap, God in His goodness performs a miracle, and sends him an Angel of Light for an assistant.

You, reader, put this matter to a test: You are sitting now in your office—six clerks are within call. Summon any one and make this request: "Please look in the encyclopædia and make a brief memorandum for me concerning the life of Correggio."

Will the clerk quietly say, "Yes, sir," and go and do the task?

On your life he will not. He will look at you out of a fishy eye and ask one or more of the following questions:

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"Who was he?"

"Which encyclopædia?"

"Where is the encyclopædia?"

"Was I hired for that?"

"Don't you mean Bismarck?"

"What's the matter with Charlie doing it?"

"Is he dead?"

"Is there any hurry?"

"Shan't I bring you the book and let you look it up yourself?"

"What do you want to know for?"

And I will lay you ten to one that after you have answered the questions, and explained how to find the information, and why you want it, the clerk will go off and get one of the other clerks to help him try to find Garcia—and then come back and tell you there is no such man. Of course I may lose my bet, but according to the Law of Average I will not.

Now, if you are wise, you will not bother to explain to your "assistant" that Correggio is indexed under the C's, not in the K's, but you will smile very sweetly and say, "Never mind," and go look it up yourself. And this incapacity for independent action, this moral stupidity, this infirmity of the will, this unwillingness to cheerfully catch hold and lift—these are the things that put efficiency so far into the future.

A first mate with knotted club seems necessary; and the dread of getting "the bounce" Saturday night holds many a worker to his place. Advertise for a stenographer and nine out of ten who apply can neither spell nor punctuate—and do not think it necessary to. Can such a one write a letter to Garcia?

"You see that bookkeeper," said the foreman to me in a large factory.

"Yes; what about him?"

"Well, he's a fine accountant, but if I'd send him up to town on an errand, he might accomplish the errand all right, and on the other hand, might stop at four saloons on the way, and

when he got to Main Street would forget what he had been sent for."

Can such a man be entrusted to carry a message to Garcia?

We have recently been hearing much maudlin sympathy expressed for the "down-trodden denizens of the sweat-shop" and the "homeless wanderer searching for honest employment," and with it all often go many hard words for the men in power.

Nothing is said about the employer who grows old before his time in a vain attempt to get frowsty ne'er-do-wells to do intelligent work; and his long, patient striving after "help" that does nothing but loaf when his back is turned. In every store and factory there is a constant weeding-out process going on. The employer is constantly sending away "help" that have shown their incapacity to further the interests of the business, and others are being taken on.

No matter how good times are, this sorting continues; only, if times are hard and work is scarce, the sorting is done finer—but out and forever out, the incompetent and unworthy go. It is the survival of the fittest. Self-interest prompts every employer to keep the best—those who can carry a message to Garcia.

I know one man of really brilliant parts who has not the ability to manage a business of his own, and yet who is absolutely worthless to any one else, because he carries with him constantly the insane suspicion that his employer is oppressing, or intending to oppress him. He cannot give orders, and he will not receive them. Should a message be given him to take to Garcia, his answer would probably be, "Take it yourself!"

Tonight this man walks the streets looking for work, the wind whistling through his threadbare coat. No one who knows him dare employ him, for he is a regular firebrand of discontent. He is impervious to reason, and the only thing that can impress him

is the toe of a thick-soled Number Nine boot.

Of course I know that one so morally deformed is no less to be pitied than a physical cripple; but in our pitying let us drop a tear, too, for the men who are striving to carry on a great enterprise, whose working hours are not limited by the whistle, and whose hair is fast turning white through the struggle to hold in line dowdy indifference, slipshod imbecility, and the heartless ingratitude which, but for their enterprise, would be both hungry and homeless.

Have I put the matter too strongly? Possibly I have; but when all the world has gone a-slumming I wish to speak a word of sympathy for the man who succeeds—the man who, against great odds, has directed the efforts of others, and having succeeded, finds there's nothing in it; nothing but bare board and clothes.

I have carried a dinner-pail and worked for a day's wages, and I have also been an employer of labor, and I know there is something to be said on both sides. There is no excellence, *per se*, in poverty; rags are no recommendations; and all employers are not rapacious and high-handed, any more than all poor men are virtuous.

My heart goes out to the man who does his work when the "boss" is away, as well as when he is at home. And the man who, when given a letter for Garcia, quietly takes the missive, without asking any idiotic questions, and with no lurking intention of chucking it into the nearest sewer, or of doing aught else but deliver it, never gets "laid off," nor has to go on a strike for higher wages.

CIVILIZATION IS ONE LONG, ANXIOUS SEARCH FOR JUST SUCH INDIVIDUALS. ANYTHING SUCH A MAN ASKS SHALL BE GRANTED. HE IS WANTED IN EVERY CITY, TOWN AND VILLAGE—IN EVERY OFFICE SHOP, STORE AND FACTORY. THE WORLD CRIES OUT FOR SUCH; HE IS NEEDED AND NEEDED BADLY—THE MAN

WHO CAN "CARRY A MESSAGE TO GARCIA."

### Exchange Provisions of the 1921 Revenue Act

As illustrating the complexities of Section 202 of the 1921 Revenue Act, a certain taxpayer has playfully (or seriously?) suggested to the editor that

it is quite clear to me that if I exchange a Plymouth Rock hen for a Buff Cochins hen no taxable profit results, but if I should exchange said P. K. hen for an Indian game rooster, I might be subject to tax.

We shall leave it to our readers to decide on what particular provisions of Section 202 the foregoing conclusion is based.

### "SS."

The writer has on a number of occasions asked lawyers what is the literal meaning of the mystic letters "ss." which follow the names of the state and county noted at the beginning of an affidavit. The reply he has usually received is that the use of these letters is an old legal custom, but that the person of whom the writer was inquiring did not know the literal meaning of the letters or the origin of the custom.

Huffcut's "Elements of Business Law," however, gives the following definition:

**SS.** An abbreviation used after the statement of the venue (state and county) and supposed to be a contraction of *scilicet* (*scire licet*), meaning "as one may learn," or "to wit," or "namely."

By all means, let folks know you are alive. Demonstrate by pulling and pushing, but not by kicking.

It doesn't matter so very much where you are today—it's whether you are going forward or backward that really counts.

## Century-Old Business Firms

*From time to time during the past two years the L. R. B. & M. JOURNAL has presented articles giving the history of businesses conducted by our clients which have been in existence for a century or more. The following article, which appeared in the Philadelphia "North American," is of interest because it relates to the same general subject. It was of special interest to us to note that the list of centenarian businesses included a number of clients of our Philadelphia office.*

Fifty-six firms that have been in business in Philadelphia for more than 100 years served to show the contrasts between "then" and "now" at a luncheon that was tendered them by the Chamber of Commerce in the Bellevue-Stratford yesterday.

The oldest of them all started life as a brewery and malt house near Front and Walnut Streets in 1687. Anthony Morris, an English Friend, who came over only a few weeks after William Penn, was the founder. The malt house was the first place in which Baptists worshiped in Philadelphia.

T. Morris Perot, Jr., represented the firm, now known as the Francis Perot's Sons Malting Company, at yesterday's affair. One gathered he did not exactly approve of prohibition. The large investment of the firm, now in its eighth generation, was made almost valueless by the Volstead act.

Burnet Landreth, head of D. Landreth Seed Company, and founder of the Association of Centenary Firms in the United States told of the pre-eminence Philadelphia has in the number of such firms. His company was founded in 1784.

Atlee Douredoure, whose father founded the firm of Douredoure Brothers in 1822, and who now conducts the business, told of the change from sailing to steam vessels in the business of the city's port.

Francis B. Rawle, lawyer, whose forefathers in 1783 founded the firm of lawyers which he now directs, told of the great events that have happened between that time and this.

Coming down to very recent days, and to the present, Mr. Rawle told

how the eminence won in the old days was continued by later Philadelphians. He mentioned the distinction of Dr. W. W. Keen in surgery; the eminence of the late John G. Johnson in the law; the manufacturing genius of the late President Converse, of the Baldwin Locomotive Works; the railroad genius of the late President Cassatt, of the Pennsylvania Railroad, and "the greatest merchant the world has ever seen," John Wanamaker.

Alba B. Johnson, president of the chamber, presided and called attention to the fact that 100 years ago the population of Philadelphia was only about 100,000 and of the country about 3,000,000.

"The standards of business and the code of business ethics in Philadelphia," he said, "are higher today than they have ever been, and I venture to believe those standards are higher than in any country in the world."

Mayor Moore gave a talk based principally on an old directory of the year 1821, in which were named banks and insurance companies most of which are still in existence and flourishing.

He referred to municipal affairs of the older day. "James Barker was Mayor in 1821," he told. "He had to hold court four times a year and look out for those who might be intoxicated. The office was not eagerly sought, for the Mayor got no salary, and besides had to give a banquet to councils.

Reverting to the honor of the firms represented at the luncheon, the Mayor said: "We need business morals and integrity as we need politi-

cal morals and integrity. Philadelphia can point with pride to what is the backbone of progress and success, the business integrity of its citizens."

When Mr. Johnson read the roll of centenarian firms a large proportion answered in the person of officers who bore the same family name as the founders of their concerns.

The list included:

|   | Founded |
|---|---------|
| The Francis Perot's Sons Malting Company .....                            | 1687    |
| J. E. Rhoads & Sons .....   | 1702    |
| Franklin Printing Company .....   | 1728    |
| Christopher Sower Company .....   | 1738    |
| R. A. & J. J. Williams .....  | 1751    |
| Philadelphia Contributionship for Insuring Houses from Loss by Fire ..... | 1756    |
| Wetherill & Bro. ....   | 1762    |
| John T. Lewis Company .....   | 1772    |
| W. H. & F. Jordan, Jr. ....   | 1772    |
| George W. Bush & Sons Company .....                                       | 1774    |
| Job T. Pugh .....   | 1774    |
| Robert Smith Brewery .....  | 1774    |
| Bank of North America .....   | 1781    |
| Francis B. Rawle .....  | 1783    |
| D. Landreth Seed Company .....  | 1784    |
| Mutual Assurance Company .....  | 1784    |
| Shryock Brothers .....  | 1790    |
| Nathan Trotter & Co. ....   | 1790    |
| Insurance Company of North America .....                                  | 1792    |
| Harrison Brothers & Co. ....  | 1793    |
| Charles Warner & Co. ....   | 1794    |
| J. Gibson McIlvain & Co. ....   | 1798    |
| Brown Brothers & Co. ....   | 1800    |
| Philadelphia National Bank .....  | 1803    |
| R. D. Wood & Co. ....   | 1803    |
| Charles Eneu Johnson Co. ....   | 1804    |
| Edward W. Woolman .....   | 1804    |
| Samuel T. Freeman & Co. ....  | 1805    |
| William & Harvey Rowland .....  | 1806    |
| C. Bockius Company .....  | 1807    |
| George D. Wetherill & Co. ....  | 1807    |
| George C. Child & Son .....   | 1810    |
| Frismuth, Brother & Co. ....  | 1810    |
| William S. Hansell & Sons .....   | 1810    |
| N. & G. Taylor Company .....  | 1810    |
| Edward K. Tryon Company .....   | 1811    |
| Pennsylvania Company for Insurance on Lives and Granting Annuities .....  | 1812    |
| Smith & Furbush Machine Company .....                                     | 1812    |
| William Whitaker & Sons .....   | 1813    |
| National Bank of Germantown .....   | 1814    |
| Horace T. Potts & Co. ....  | 1815    |
| C. Schrack & Co. ....   | 1815    |
| Adam Pfromm & Co. ....  | 1815    |
| William H. Horstmann Co. ....   | 1816    |
| Philadelphia Saving Fund .....  | 1816    |

|  |      |
|--|------|
| William Barnett & Sons .....             | 1817 |
| Philadelphia Fire Association .....      | 1817 |
| Powers-Weightman-Rosengarten Co. ....    | 1818 |
| Riggs & Bro. ....                        | 1818 |
| H. W. Butterworth & Sons Co. ....        | 1820 |
| Hastings & Co. ....                      | 1820 |
| William F. Murphy & Sons Co. ....        | 1820 |
| Horrocks & Brother .....                 | 1821 |
| Douredoure Brothers .....                | 1822 |
| Lehigh Coal and Navigation Company ..... | 1822 |
| Bullock Brothers .....                   | 1822 |

## How the Postal System Began

The earliest known postal system was that of Cyrus the Elder, King of Persia, in 599 B. C., according to the post office manual prepared in Minneapolis for use as a textbook in the schools of the United States. The manual was compiled by Postmaster E. A. Purdy of Minneapolis and a group of specialists, in the post office, with the encouragement of Postmaster General Hays, and his successor, Dr. Hubert Work. Besides explaining the functions of the post office and most efficient ways of using it, the manual outlines the history of postal service.

King Cyrus, according to the manual, maintained mounted couriers to dispatch messages from post to post. The book then relates that similar methods prevailed among the Romans during the time of Augustus, B.C., 31, and later in France under Charlemagne, in 807, A.D. The first actual letter-post for commercial purposes, however, it says, appears to have originated early in the twelfth century, and a century later the University of Paris established an efficient postal system. China also maintained a post system at an early date, about 1280.

Inception of the American post office came with the country's earliest settlement, according to the book. It passed from the coffee house letter depository to actual carrier service when legislation was passed in Massachusetts in 1639, and in Virginia in 1657.

## Fifteenth Annual Tax Conference

By E. E. WAKEFIELD, JR.

(Boston Office)

At the Fifteenth Annual Conference of the National Tax Association, held at Minneapolis on September 18-22, 1922, the following subjects, among others, were considered:

### *The Federal Capital Stock Tax*

The Treasury Department sent to the conference the head of the Capital Stock Tax Division of the Bureau of Internal Revenue, Mr. Drake, who read a paper explaining the workings of his division. The most significant thought brought out in this paper and the discussion following was that some 340,000 assessments are made each year by the division with a force of about 130 men and with only about 6,500 claims for adjustment of taxes arising. With this statement as a text, Dr. T. S. Adams reminded the conference of his proposal, made when the last revenue law was being framed, that the capital stock tax be abolished, because clearly no 130 men, no matter how capable and earnest, are able properly to value each year the stocks of 340,000 corporations. Mr. Drake suggested that in view of the small number of claims for adjustment of taxes, it appeared that taxpayers must be reasonably well satisfied with the valuations fixed by the division. He indicated the entire willingness of the Department to give due consideration to any information submitted by taxpayers to show why assessment should not be made on the basis of net asset values, but he did not deny that, in the great majority of cases, the Department uses net asset values, in spite of data shown in other exhibits of the return.

### *Apportionment Between States of the Tax on Interstate Mercantile and Manufacturing Business*

A very interesting report on this

subject was presented to the conference. The keynote of the committee's conclusion was that there can be no theoretically correct apportionment, as between states, of the tax on business done by corporations and others operating in more than one state. Some fixed rule accepted by the different states is vastly more important than any theoretically perfect rule. Under present methods, it is possible that more than one hundred per cent of the income of a business would be taxed by a group of states in which business is done. The studies of the committee led them to believe that allocation based on a fifty-fifty division between the factors of tangible property within the state and sales within the state would be equitable. This idea is in part supported by the conclusion of the committee, from statistics, that an average return for mercantile and manufacturing business might be about ten per cent, of which approximately half would be a return on the property investment, and the other half from the active operation of the business shown by sales. The sales factor in allocation of income, as recommended by the committee, would take into consideration also purchases and other expenses by adding them to sales to produce the fraction for business carried on within the state as compared with total business carried on. The committee dismissed as unsound the theory which has been advanced in various proceedings in court that no income results except from a sale and that in consequence, wherever the sale is made, there all income should be allocated. In other words, the committee think it necessary to recognize that the various stages of operation from purchasing to manufacturing,

through selling, all contribute to the net income and that, if any part of such operation is carried on within a state, such state has a right to place a tax upon some part of the net result in the form of profit.

#### *Taxation of Public Utilities*

A committee which had been working in the interval since the last conference presented a report on taxation of public utilities. Three plans of such taxation are at present in use in our country:

1. The Ad Valorem Plan—A tax on all the property of the utility in the state, at full value or some fixed percentage thereof.

2. The Capital Stock Tax Plan—On the value of the stock as determined by a variety of methods in the different states.

3. The Earnings Plan.

The committee was clearly of opinion that the earnings plan was the only fair one. Valuation of public utilities upon the basis of property in a state is too difficult and too uncertain for satisfactory results either to the taxing authorities or to the public service corporations. So many factors enter into value, particularly in case of interstate service, that either the corporations are continually harassed by unjust and inaccurate valuation, or, if they are politically powerful enough, they escape their fair burden of tax. The committee recommends a tax based on both gross and net earnings. The ideal would be a tax on the so-called economic profit—i. e., the profit after a fair return on investment both in stock and in bonds. A practical method, however, is a tax on net earnings with a minimum tax based on gross earnings. The objects are to limit the tax in good years to a fair part of net income, but, for the sake of continuity of revenue to the state, to provide a minimum tax based on gross earnings which would be available even in bad years

when there were small or no net earnings. The committee were of the opinion that a tax such as they recommend, based in part on gross earnings, would not be in contravention of the Federal Constitution. In their opinion, such a tax should be construed by the courts as a property tax, the measure of which is determined by earnings (and not a levy by the state directly upon gross earnings derived from interstate commerce), and hence not contrary to the Federal Constitution.

On the difficult subject of apportionment of tax as between the states, the committee desired opportunity for further study.

#### *The West Virginia Sales Tax*

The Tax Commissioner of West Virginia reported on the results of the first year of operation of the West Virginia sales tax. In his opinion, the tax has worked successfully, although it has produced only about \$1,000,000 revenue against \$3,000,000 or \$4,000,000 which he thinks should be raised. The tax is at the rate of two-fifths of one per cent on sales of natural resources, such as coal, and one-fifth of one per cent on all other sales of merchandise, service, etc., with an exemption up to \$10,000 of sales.

An attempt was made in the conference to draw conclusions regarding the proposed Federal Sales or Turn-over Tax from the results in West Virginia. The very low rate, however, and the short experience with the tax seem to make conclusions as to the advisability of a national sales tax unwarranted. The Commissioner claimed that the administration of the tax was simple and was accomplished with very little friction with taxpayers.

#### *Forestry Taxation*

A committee appointed at a previous conference reported on a proposed plan for taxation of forest land.



The committee is entirely satisfied that various plans formerly advocated, as, for instance, exemption of forest lands from taxation, reduced valuation of forest lands as compared with other property, bounties to owners of forest lands and state contracts with such owners giving special privileges, and any other plans amounting to subsidy of forest lands, are inadequate and inequitable. The conclusion of the committee is that forest lands should be taxed upon the broad principles applied to the taxation of other property, but due recognition of the special conditions with reference to production of timber should be given in formulating any plan for taxation of this class of property. In general, the proposal of the committee is for a separate tax on the land covered or expected to be covered by timber and another tax differently administered on the timber itself. There should be no tax on growing timber as such, but the tax, other than the tax on the land itself, should be assessed when the timber is ripe for marketing, or is marketed. The tax on the timber when marketed would be a percentage of the proceeds received on marketing the timber. If an owner chose to hold marketable timber, the tax would then be based on the value of the timber and would continue indefinitely until it was marketed. The purposes of this general plan are, first, to ensure some continuous revenue to the community from the tax on the value of the land as land, and second, not to tax the timber until such time as it may be marketed and a return from it secured from which a tax may be paid. Timber inaccessible to a market although ready for harvesting and timber which for any other reason could not be marketed would be treated like growing timber until such time as it could reasonably be expected to be put on the market. This plan of taxation is as yet theoretical, because

most of the states have not got by the stage of exemption or special valuation or other special privileges for timber lands, although these various plans have in general proved ineffectual for stimulating increased production of timber.

#### *Canadian Tax Problems*

A very interesting sidelight on American tax problems was given to the conference in reports from taxing officials of several of the Canadian provinces, including Ontario, Alberta, Manitoba and British Columbia. For one thing, Alberta which for some years up to five years ago was apparently tending towards sole reliance for local revenues on the "single tax" has almost entirely abandoned this form of tax. Land values have shrunk, taxpayers have shown a willingness to forfeit their lands rather than pay the taxes, and great arrears of unpaid taxes have resulted, requiring adoption of other methods of raising revenue. Attempt in some of the cities has been made to use an income tax, but the Canadian provinces have generally declined to grant this source of revenue to the municipal authorities, because it is reserved for the use of the provinces themselves. British Columbia has an alternative plan under which the local tax is assessed either on income or on personal property, returns of income in general apparently similar to those made in this country being required annually. Ontario is deriving large amounts of revenue from legalized race-track gambling. The Solicitor of the Treasury of Ontario facetiously remarked that one reason for adopting this form of raising revenue is that it is possible to locate the tracks near Buffalo, Detroit and other large American cities and thus to make the citizens of the United States pay a substantial part of the taxes raised from race-track gambling.

*(Concluded on page 24)*



## The L. R. B. & M. Journal

Published by Lybrand, Ross Bros. and Montgomery, for free distribution to members and employees of the firm.

The purpose of this journal is to communicate to every member of the staff and office plans and accomplishments of the firm; to provide a medium for the exchange of suggestions and ideas for improvement; to encourage and maintain a proper spirit of co-operation and interest and to help in the solution of common problems.

### PARTNERS

|                      |              |
|----------------------|--------------|
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| ADAM A. ROSS         | Philadelphia |
| ROBERT H. MONTGOMERY | New York     |
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### OFFICES

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| NEW YORK     | 110 William Street    |
| PHILADELPHIA | Morris Building       |
| CHICAGO      | Harris Trust Building |
| BOSTON       | 261 Franklin Street   |
| PITTSBURGH   | Union Bank Building   |
| DETROIT      | Book Building         |
| WASHINGTON   | Union Trust Building  |
| SEATTLE      | L. C. Smith Building  |

### Partners' Activities

**P**ROBABLY at no other convention of the American Institute of Accountants have so many members of our firm been in attendance as at the one held in Chicago on September 18 to 21. Messrs. Lybrand, T. E. Ross, Montgomery, Pugh, Gee, Henderson and Sweet, making seven out of our twelve partners, were present. Mr. Fitzgerald, manager of our Detroit

office, likewise attended the convention.

As toastmaster, Mr. Lybrand presided at the banquet. A well chosen group of speakers made the occasion a much more enjoyable and profitable one than is often the case with convention dinners.

Colonel Montgomery read one of the principal papers presented at the convention, his subject being "Why Should We Have a New Tax Law?" The Colonel's address attracted wide attention, not only among accountants, but throughout the business and financial world. The September 23 issue of *The Commercial and Financial Chronicle*—probably the most influential financial journal in the country—reproduced the paper almost in its entirety, introducing it with the following remarks:

Robert H. Montgomery, of Lybrand, Ross Bros. & Montgomery, the well-known firm of accountants and auditors, delivered an address on Tuesday of this week before the American Institute of Accountants at Chicago, the title of which was "Why Should We Have a New Tax Law?" but which stressed particularly the incompetence and the political selfishness of the average Senator and Representative in dealing with the great legislative problems of the day.

Letters have been received by both Colonel Montgomery and the firm from numerous business men and financiers warmly commending the paper.

The annual meeting of the National Associates of Cost Accountants at Atlantic City followed hard on the heels of the Institute meeting at Chicago. It began on September 25 and continued through the 28th. Here Mr. Lybrand had a responsible duty to perform. For the past two years he has been the president of this young but lusty organization. He has given it unsparingly of his time and energy and the Association owes him much for the direction he has given to its

activities and the determination which he exerted to make it an organization of real helpfulness to its members.\* In recognition of his services to the Association, Mr. Lybrand was presented with a beautiful gavel made of ebony with ivory embellishments and a silver band bearing an appropriate inscription.

Mr. Gee has also devoted much time and thought to the work of the National Association of Cost Accountants. He has been a director of the Association since its organization some three years ago. During the past year he has been director-in-charge of publications, a position of considerable responsibility in view of the volume of cost and management articles and data issued through the Association's semi-monthly publications.

The Atlantic City convention was a success in every sense of the word. The attendance was large, the registration being between five and six hundred, and the program was pressed down and running over with papers and discussions on all kinds of subjects of keen interest to those engaged in cost and industrial management work. In addition to Mr. Lybrand, Messrs. Hood, Gee and Sweet of our firm were present at the convention. Mr. Sweet read a paper on "Why Should Budgets Be Used As An Aid to Management in Industries?" Mr. Boutelle of our Boston office also presented a paper, his subject being "Kinds of Cost Systems Best Adapted for the Textile Industry." Mr. Stock of the industrial cost and production department of our New York office led in the discussion of the subject, "Standards as a Means of Reducing Costs."

\* It is but fair to Mr. Lybrand to say that he had no knowledge of the editor's intention to write the above, otherwise he might have requested its omission.

Colonel Montgomery's literary labors continue unabated. Volume II of the third edition of *Auditing—Theory and Practice*, which deals with the special points to be considered in the audit of different classes of business, has just come off the press. In the preface to this volume he acknowledges the assistance received from various members of our organization, Mr. Bacas and Mr. Howard being especially mentioned. At the present moment the Colonel and his assistants are working on the 1923 edition of *Income Tax Procedure*. Inasmuch as no new tax law is being enacted this year, though numerous decisions and rulings of importance have been made during the year, it is expected that the book will be ready for distribution not later than January 1st. This is a much earlier date than it has ever before been possible to publish the annual edition of *Income Tax Procedure*.

Mention may again be made that members of the staff desiring to purchase copies of either *Auditing* or *Income Tax Procedure* for their personal use can secure them from the firm under a special arrangement.

The recently published volume of *Selected Articles on Current Problems in Taxation*, which forms a part of "The Handbook Series" on present day public problems, includes the article by Mr. Staub which appeared in the April, 1921, issue of *Administration* under the title of "Why not a Sales Tax?"

The August, 1922, number of *Administration* contains an article by Ralph H. Allen, Assistant Financial Executive of the Thomas A. Edison industries on "Patent Valuations as Affected by Federal Taxes."

Mr. Allen acknowledges in the article his indebtedness to Mr. Staub for suggestions and assistance received in the preparation of the article.

## OFFICE NOTES

## BOSTON

With sorrow we announce the death of Mr. Jasper N. Keller, father of Mr. Carl T. Keller, and the death of Mr. Edwin E. Wakefield, father of Mr. E. E. Wakefield, Jr., of our tax department. Mr. Keller was one of America's telephone pioneers, closely associated with Alexander Bell and Theodore N. Vail, and had been president of the New England Telephone and Telegraph Company.

New England is the vacation playground of America, but foreign fields lured some of us this summer. Mr. Sweet rambled in Rome and slipped and scrambled over the Alps for three months. Miss Snow saw Oberammergau and the green vales of Albion, Miss Holmes sought romance and old-world charm among the hills and citadels of Quebec, and Jack Harris was an enthusiastic delegate to the annual Hay Fever Convention at Halifax.

*Another Vacation Echo (overheard in the reading department):*

Miss G.—"I spent my vacation in Washington."

Mr. L.—"Did you visit Grant's Tomb?"

"Here's one Buchanan told me." (Any worth-while story going the rounds of the office is usually prefaced with that remark.) The other night he (Buchanan) accompanied a member of a client's staff to the class room of an accounting school. The instructor asked the class if anyone could tell him how the — Co. accounted for the rights they were issuing at present. Nobody knew. Thereupon the teacher said: "Ah! I'll tell you. They debit Surplus and credit Rights Payable."

The Massachusetts C. P. A. exam-

ination is being held this year on October 25th and 26th. For the first time in some years it will not employ the questions furnished by the American Institute of Accountants.

Our class in preparation for this examination has met throughout the summer. That part of our staff which has been in Lowell has held separate classes under Mr. Homer Sargent.

Miss Agnes E. Fisher resigned as office manager on September 30th, a position which she creditably filled for two hard-working years. It is with pleasure that we record the promotion of Mr. Carl C. Place as her able successor.

## CHICAGO

*Reported by "Lard Ringner"*

Every once in a while a letter comes is this office from New York saying that an issue of the JOURNAL is about to be born, and that contributions are wanted from Chicago. This is promptly wished on me with instructions to satisfy the gentleman from Manhattan. What to write? What to write? That is the question. Of course, I could write some very high-brow stuff that "Administration" would copy, but the birds around this office don't seem to enjoy nothing but giving somebody the razberry, and my style is cramped right there. As a matter of fact, I did not hire out to these people to do any writing anyway. Really I do my best work on a "holler and tick" job, as I learned to sound off good and loud in the army, and I really do make a very good check that spoils no man's books. Be that as it may, I've got the job and the title of "editor." Puncheon, of blessed memory, once said that he could find nothing around this office but supervising accountants and editors. I suppose the management could

not stretch their imagination far enough to call me an "accountant" so I got the "editor."

So, as an editor, I will now set down some divers and sundry matters which, when they appear in print, will be as new to the supervisors around here as the passing of the Volstead Act. But before I begin I wish to say that I realize that any piece of news that I set down is not going to cause any frenzy of excitement in the headquarters of any of my brother pencil pushers.

You would hardly expect Ed Barr, in a delirium of joy, to buy drinks for the staff because John B. Anthracite has just been taken on in Pittsburgh.

When Mr. Macdonald has finished with a report and you find all you tried to say was between the lines and not on the lines, it is not much consolation to read that every time a job is finished in New York a letter comes in from the client saying what lovely spats your representative wore and how sweetly he handled the engagement. Marse Henry once wrote, "It has come to a — of a pass when a man can't wallop his own jackass."

If Frank Kalteux don't get all worked up over Burton's weakly speeches to the Seattle Grammar Schools it is my duty to set it down because I must interpret the voice of the people.

But this isn't getting any place at all, so here goes.

The Chief has a new car. We keep this line set up so as to save time each issue. If he forgets how many cars he has owned all he has to do is to look in the archives, and there he has it. There is only one comment I wish to make on this. Every car that he has is absolute perfection. Every car that he has is much better than the one he had before. If this was anybody but the Chief, I would say that somebody was doing some lying.

A number of the help got married this summer. Miss Kobbiter and

Messrs. Hodges and Geddes. Miss Kobbiter's marriage was a great surprise, as she had maintained the utmost secrecy in the whole affair. Hodges went up North to fish this summer, and from what I understand got hooked immediately. They didn't even have to use a landing net to get him into the boat. Geddes capitulated some time during the summer. I am very sorry not to have the details of these affairs which are so dear to the hearts of our fair readers. If I could only put down the dates it would be a great help to the men in remembering next year, but don't expect too much. You are not paying anything for this magazine, anyway. You are being up-lifted gratis.

Bill Merkle's wife presented him with a fine boy a month or so ago—William Merkle II. The young gentleman weighs somewhere between five and fifteen pounds. He told me what it was, but I have forgotten.

Harry Daughters, while crossing a muddy track at Hawthorne during the late racing meet, slipped and twisted his knee. He is about all right again, and will accept work if it is offered to him in a nice way.

Of course, another event of great importance here this summer was the meeting of the American Institute, held at the Drake Hotel. We (editorially—you get that?) only attended one session and found it about as exciting as a football game between an Eastern and a Western school. We had eaten a heavy luncheon at the firm's expense and the proceedings of that session would have cured the most obstinate and chronic case of insomnia that ever existed. As far as I could make out the afternoon session was devoted to finding out what a certain committee was to do that had been definitely instructed to do certain things six months previously. The speakers and the question askers were all worn out at 5.30, and the game was called on account of exhaus-

tion. A number of the partners of the firm were here. There is no use in my setting down their names, as they probably remember it. We (same as above) were unable to accept any invitations to dine with them, but I understand they consumed great quantities of white fish for which our lake is famous.

Of course the Institute had its picture taken at the banquet. Out of the whole bunch there the photographer asked only one man to turn his face away from the camera. Honestly, I haven't the heart to tell you who it was, but ask any man from Detroit.

While on the subject of eating, I wish to make one little observation re the effect of the expense account on the digestive apparatus. You probably have known a lot of these supervisors who are glad to get a plate of beans to the accompaniment of a clatter of dishes, when they pay for it themselves. But let them get out of town with a little expense money and then it goes: "Really, you know, you can't get a decent meal there for less than \$2.50." I understand Ewan, on a recent engagement in Kansas City, found that his food simply would not digest without at least a six-piece orchestra booming away in the offing. He attempted it with only five musicians, and it brought on a terrible case of *ipso facto* and *caveat emptor*. With twelve pieces they say he splashed gravy miles around.

Now for some "Vacation Echoes" and this broadcasting will cease. "Vacation Echoes," I love that. So delicate and sweet, do you not think? Miss Dreger went to Yellowstone. She reports scenery no good. Too many female school teachers. Judge Ford went North by motor, and is still fed up on long distance motoring. Larson et son frère astonished the natives west of here, which is not at all surprising. There was a lot more but they were very quiet about it, and you see that cuts down the echo.

## DETROIT

### TREASURY DECISIONS

Letter to the Commissioner of Internal Revenue, Washington, B. C., September 30, 1940:

Shall a taxpayer, who reports as income the fair market value of golf balls found, while in pursuit of pleasure, be allowed to deduct from gross income the cost or fair market value (whichever is lower) of elusive spheres lost while likewise engaged?

(Signed) T. NIBLICK.

*Ruling*—The Treasury rules that, if, in effect, the word "pursuit" does not mean the—er—(a) attempt to overtake and *find* balls while they are still rolling, then (b) the taxpayer is then allowed the deduction from gross income.

T. D. Spalding 1.56.

C. J. M.

### WAR NEWS!

*First Turk*: Haffan Omar?

*Second Turk*: No—Mustapha Kemal.

On September 14 Mr. Fitz-Gerald, under the auspices of the Walsh Institute, conducting the Pace and Pace courses in Accounting, gave an address entitled, "Preparation for an Executive's Responsibilities," before an interested audience of ambitious students. A few members of the staff have already enrolled for the complete course on Business Administration, etc.

After due deliberation on the part of the local editorial staff, it was unanimously decided to bar vacation experiences, etc., from the news of this issue.

### AFTER PASS AWAY

A Japanese shirt maker, Musa-Shiya by name, who has built up a successful and thriving business in Honolulu, still follows his unique style

of advertising, to which is mainly attributed his success.

Musa-Shiya helps the prospective buyer to locate his shop with the following information:

TO FINDING—Musa-Shiya shop not so easily finding but can do. Find after pass away in front of famous Fish Market, but before on River, makai side King Streets. Good sign denote stoppage all right.

#### A BRAIN TWISTER

A young man visited a circus ground to see all the shows, of which there were four, and, with the intention of spending all the money he had on hand.

It cost him \$1 to enter and \$1 to get out of each of the shows. While in the shows he spent half of what he had left after entering each show. When he left the fourth show he spent his last \$1 to get out. How much cash did he have before he entered the first show?

*Potash:* How's business, Mawruss?

*Perlmutter:* Rushing—right past the door.

#### IF IT WASN'T FOR FLEAS

*From the San Francisco Chronicle:*

The Californian gets up at the alarm of a Connecticut clock; buttons his Chicago suspenders to Detroit overalls; washes his face with Cincinnati soap in a Pennsylvania basin; wipes on a Rhode Island towel; sits up to a Grand Rapids table; eats Kansas City meat and Minneapolis flour with Idaho potatoes cooked with Indiana lard, on a St. Louis stove burning Wyoming coal; puts a New York bridle on a Colorado broncho fed with Iowa corn; plows five acres of land (covered with Ohio mortgages) with a Chattanooga plow. When bedtime comes he reads a chapter from the Bible printed in Boston; says a prayer written in Jerusalem; crawls under a blanket made in New Jersey;

only to be kept awake by fleas—the only home product of his own State.

Mr. Fitz-Gerald now ranks with the Prince of Wales as a golfer. We read in a news item that the latter, whilst playing at St. Andrews recently, did not wish his score divulged.

#### NEW YORK

##### COMMENDATIONS BY CLIENTS

Herewith you will find signed receipt for six copies of your investigation made at the — Bank of —.

Permit me to say that the report is an excellent one and shows that Mr. Halter did his work well.

\* \* \* \*

We beg to enclose herewith check in payment of your bill of August 23d.

We wish to take this occasion to make mention of the competent and efficient manner in which your force handled themselves in the auditing of our books and particularly the work of your Mr. Stuart C. Ross.

\* \* \* \*

As evidenced by the enclosed receipt, your reports have reached me. I have not yet had time to examine the report, but from a cursory glance over them believe them to be exactly what is required.

Will you please convey my thanks to Mr. Leete and his assistants for the painstaking care evidenced by this report.

The June 1st Bulletin of the National Association of Cost Accountants contained a brief review by Mr. Bacas of Volume I of "The Accountant's Dictionary," a recent London publication. This work is edited by Francis William Pixley, F.C.A., who is a past president of the Institute of Chartered Accountants in England and Wales and senior member of the well-known firm of English accountants, Messrs. Jackson, Pixley & Company. For quite a number of years

past this firm has acted as the London agents of Lybrand, Ross Bros. & Montgomery, and we in turn act as American agents for Messrs. Jackson, Pixley & Company.

#### SMILE CLUB

John W. White has again quailed as a member of the Club. This time it was a nine-pound boy. We see where friend White is going to reduce the tax due the government by increasing his exemptions.

Stanley V. Marsh has been initiated, having fulfilled all requirements for membership for the first time. He announced, "Boys, I have a son now." The Club is to be congratulated on its growing membership.

Stanley Adams left on October 7, on the *S.S. America* on a flying trip to England to see his mother. We shall be interested to get his impressions of conditions in the mother country after an absence of twelve years.

#### The following newspaper dispatch London's New Lord Mayor Is Chartered Accountant

LONDON, Sept. 29.—Ald. Edward Cecil Moore today was elected lord mayor of London. He is a chartered accountant by profession and is the first member in that field to become lord mayor.

caused one member of the staff to submit the query, "Why not elect Colonel Montgomery mayor of New York?"

Mr. Soper and Mr. Chandler left us recently to embark on an enterprise in Florida. Mr. Worfolk has gone into business for himself in New York City. We wish them success in their new undertakings.

Mr. McCluskey has rejoined the staff after a lengthy sojourn in China. He does not seem to have lost any weight on "chop suey!" We hope to see something more in an early issue

of the JOURNAL concerning his experiences in China.

We are glad to see Mr. R. R. Westwood back with us; at one time it was touch and go in his bout with the Grim Reaper, but "Westy" won out and is now hard at work again.

The Newark Y. M. C. A.'s publication, *The Monthly Messenger*, mentions that A. F. Stock, acting head of the industrial cost and production department of our New York office, is the instructor in "Factory Organization 'C'" in the courses given by the Newark School of Accountancy and Commerce.

Mr. Bourne, who is on a rather protracted engagement in the Sunny South, gave vent tersely and pointedly to his feelings on a card which he sent to Miss Storey (coincident, no doubt, with sending in his expense account). The card was one of those stock postal cards gotten out by the boosters' organizations of small towns in which the many advantages of the town are recited and made much of. The card sent in by Mr. Bourne started off thus: "W—— is a fine town on the Dixie Highway and it looks good to one sitting on a hill overlooking the S—— River." Detailed description of the town's advantages, business, social, educational, religious, etc., followed. Mr. Bourne's comment was simply, "Ananias was a piker."

#### Editor of L. R. B. & M. Journal:

We wish that some of these fellows who drag a pencil over paper and call them working papers, for some one else to try and digest, would kindly step up to the counter of the Wahl "Neversharp" pencil store and fill out application to enter their school of "Steering a Pencil." It is a two-weeks' course and you are guaranteed a diploma.

X. Y. Z.

\*Query: Can anyone imagine the active Mr. Bourne sitting quietly on a hill overlooking the river?



### UNDISPUTED PROFITS TAXABLE TO STOCKHOLDERS

(*Corporation Income and Excess Profits Tax Form 1120.1 for corporations with fiscal year ending in 1922. Item 19, page 2 of instructions.*)

The use of the word "undisputed" in a tax form, and applied to profits, implies that the Treasury Department now recognizes the possibility of profits becoming so well audited that they may reach a sort of Nirvana and become undisputed! The pale, wan accountant, to whom the profits have always meant something to be forever in dispute by the Treasury Department, will now take a new lease on life with the assurance that profits *can*, at some time, become undisputed. When the aforesaid pale, wan accountant shall look back upon the time when a "profit was without honor in its own country," and when in the bright lexicon of governmental procedure there was no such word as undisputed, he will again begin to cherish hopes of a settlement of certain cases which bid to share honors with the great wall of China in the matter of antiquity.

One can now expect to see revenue agents sallying forth with harassed looks upon their faces, for they will now be deprived of their one joy in life, that of disputing the profits reported by taxpayers.

It cannot be that such great joy has befallen the weary accountant! A closer inquiry reveals that the word undisputed is probably a misprint and should read "undistributed."

N. B. BERGMAN.

### PHILADELPHIA

We are pleased when we see favorable mention in the public prints of any of our clients. During the summer there appeared in the "Men and Business" column of the Philadelphia *Public Ledger* an article by Richard Spillane, of which the following is an excerpt:

Something unique in banking history has come to pass in Philadelphia. Three bankers of distinction—E. Pusey Passmore, president of the Bank of North America, the oldest bank in the United States; Asa S. Wing, president of the Provident Trust Company, and E. G. Parsly, of Parsly Brothers & Co., investment bankers—are acting as an advisory board for a small Negro bank.

Readers of this column may recall an article printed a few months ago telling how a newspaperman had gone to the president of a large national bank and asked him, as a work of good citizenship, to serve on such a board, and how the man in question had accepted. The reference was to Mr. Passmore.

That article attracted wide attention, particularly in the South. In the publications of various of the Federal Reserve Banks it was discussed at length and praised as an excellent idea. Now that the advisory board of white bankers is functioning, wider interest is likely to be aroused, and it would not be surprising if other cities followed the Philadelphia example.

All things considered, the Citizens and Southern Bank (the little Negro bank referred to) has done pretty well. It has more than 4,000 depositors, with aggregate deposits of \$118,000. It has a substantial balance in the Bank of North America, and it made an excellent investment in Liberty Bonds, buying \$52,000 of them at prices ranging from 85 to 94.

It has done a good deal to promote thrift and better understanding among the colored people.

Philadelphia has approximately 135,000 Negroes in its population. The number is likely to increase year by year. Thrift and good citizenship will make the colored citizen more and more of an asset. Through safe, sound banking much can be done to that end.

The Philadelphia plan of dealing with the Negro, as illustrated by the service for which Mr. Passmore, Mr. Wing and Mr. Parsly have volunteered, deserves the earnest consideration of the Nation.

It is of particular interest to us that Mr. Passmore and Mr. Wing are the heads of financial institutions which we have had the pleasure of numbering among our clients for many years past.

### PITTSBURGH

The Pittsburgh office welcomes the first number of the JOURNAL for the

new year. We have come to look upon it as a real connecting link between ourselves and the other offices, for we feel that, if the happenings of the other offices are of interest to us, then, probably, they are equally interested in things that occur in Pittsburgh. So here's to a successful year for the publication and may we all become better acquainted through the medium of its pages.

With the exception of Miss Greene and Mr. Marsh, the members of the Pittsburgh staff have about completed their vacations and we are getting back into our normal working stride with everything pointing to a season of hard but enjoyable work.

Miss Jorden escaped from the office for a week and then received an S. O. S. from Miss Greene. Of course, Miss Jorden returned immediately, and after working for a week got away for the remainder of her vacation at Detroit.

Mohler spent his vacation near Lake Erie and, regardless of the fact that his wife accompanied him, says that the bathing beauties at the beaches he frequented had a very enjoyable time.

Johnson took a rather hit or miss sort of vacation—grabbing a day now and then, but leave it to Johnson to take his pleasure when and where he finds it.

Irwin gave the rustics up in Indiana County a treat and, from the volume of his mail since his return, it appears that at least six of them must have fallen for the handsome major.

Roper spent his vacation getting settled in his new home.

Wyatt is exceptionally fond of peaches and he knows just where the finest are to be found. They are in his home town in Delaware, so naturally that is where he spent his vacation. Judging from what he says, it must be a wonderful place.

The staff has been increased recently by the addition of Oscar C. Horne, who came to us from Edmund W. Mudge & Company, of Pittsburgh.

We heard that the Philadelphia office has some wonderful golfers, among the members of the Bunker's Club—which includes such stars as Gordon and McLean, but we wish to state here and now that we think none of the other L. R. B. & M. offices contain four such golfers as Messrs. Keast, Marsh, Irwin and Wyatt. Their record low scores this summer were 64, 76, 67 and 72, respectively,\* and we hereby challenge any or all offices to a tournament to be played in Pittsburgh any Saturday afternoon, provided, of course, that the Pittsburgh team is not compelled to work overtime.

#### SEATTLE

Vacations in the Seattle office—or perhaps we might more accurately say, vacations *from* the Seattle office—have been taken on the instalment plan this year. Miss McClellan spent two interrupted weeks with her family in their beach home.

Mr. Campbell has taken his absences from professional activity in fishing and hunting excursions, in both of which he has been eminently successful.

After spending two or three days with his family at Cannon Beach, Oregon, Mr. Burton, upon his return

\* For nine holes.

to Seattle, fractured the exterior condyle of his right humerus. In spite of this, however, he declares that it was not what he would call a right humorous experience.

We were delighted to get a couple of breaths from the East this summer, through the all too brief visits of Mr. Staub, of New York, and Mr. R. S. Geddes, of the Chicago office.

Mr. and Mrs. Burton are the proud parents of another son, Robert Edmund, born July 13th.

As the result of the election held in May, Mr. Burton was re-elected president of the Washington State chapter of the National Association of Cost Accountants. He has also been appointed a "Lecturer on Accounting" in the University of Washington for the year 1922-23.

#### WASHINGTON

While the Ediphone was being installed in the Washington office on trial, our stenographer was asked if there was a plug in the wall for the electric connection. Much searching ensued and finally the answer came, "No, there's no plug—but there is a little hole here!"

The Washington papers have recently had a great deal to say about the splendid condition of the District's accounts, that is, the large amount of surplus cash on hand. We in this office can account for a great part of it. Mr. Bolinger contributes on the average of three times a week to the Police Department fund by way of the Parking-Too-Long-In-One-Spot Fee.

The suggestion has been given us

that inasmuch as Henry Ford has his own steel plant and factory, why not a L. R. B. & M. Publishing House. We have enough to start on right now—Colonel Montgomery's Income Tax Procedure, Auditing Theory and Practice, and the JOURNAL.

Lest anyone in the other offices gather the idea that the staff here did not take vacations, let it be understood that we did. But, evidently nothing very interesting happened to them, as each and all register a blank expression every time the Washington editor mentions "vacation notes for the fall JOURNAL." Mr. Staub suggests that perhaps it is a case of "Still waters run deep"—the vacations were too interesting to write up.

Mr. and Mrs. Haynes went to Texas the early part of the summer and both said it was no warmer than Washington.

Miss Kissinger has spent every week-end during the summer at her camp on the Upper Potomac. She also spent her vacation there. We have been hearing all summer about the wonderful swimming and boating there and we don't like to doubt her veracity, but she has yet to appear in the office with even a little coat of tan. It must have been the "ole swimmin' hole" for sure—plenty of shade and not much water.

During the summer, Mr. George V. Newton, formerly with the Bureau of Internal Revenue, was overcome by the heat while taking care of some tax case in the Department. At least we were told it was the heat. Our personal opinion is that he was able to get a little quicker action than usual and the shock was too much for him.

## Fifteenth Annual Tax Conference

(Continued from page 13)

These experiences of Canadian provinces are well worth watching by Americans, principally because the newer growth of cities and provinces in Canada makes the adoption of new plans of taxation easy, and gives an opportunity for trying out such plans and showing the results of their use, for the enlightenment of our own municipalities in their struggles with the problem of finding new sources of revenue.

The necessity of the writer to leave the conference before it was concluded makes it impossible to report on other topics considered such as: Taxation of Natural Resources, Tax Exempt Securities, Relation of Income Taxes to Property Taxes, Bank Taxation, Inheritance Taxes, Federal Income Taxes, Limitation of Expenditures as Affecting Taxes.

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There is always time for courtesy.

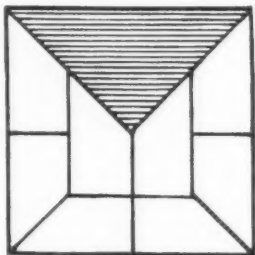
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There is a lot of difference between rising to the top and going up in the air.

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## Puzzle Solution

The following diagram shows how the plot of land was divided to meet the requirements of the problem which appeared on page 28 of the May, 1922, issue of the L. R. B. & M. JOURNAL.



## Thoughts On Saving

Look most to your spending.

No matter what comes in, if more goes out you will be poor.

The art is not in making money, but in keeping it.

Little expenses, like mice in a barn, when they are many, make great waste.

A barrel is soon empty if the tap leaks but a drop a minute.

When you begin to save, begin with your mouth. There are many thieves down the red lane in the form of costly, useless food.

A fool may make money, but it takes a wise man to spend it.

Remember it is easier to build two chimneys than to keep one going.

If you give all to back and board, there is nothing left for the rainy day.

Fare hard and work hard while you are young and you will have a chance to rest when you are old.

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## The Fable of Four Men

"I got off a street car this morning," said a doctor to me, "and being in no hurry, I began moralizing on the actions and probable character of three men who had alighted just ahead of me.

"The first one was even then halfway down the block and was going on with such rapid strides that he had already put a couple of hundred yards between himself and the next man. 'There,' thought I, 'goes a hustler—a man who's bound to succeed in life.'

"The second man was walking slowly, and impressed me as one who would do fairly well in the world.

"But the last fellow was just dawdling along in the most shiftless sort of way. I very quickly set him down as a loafer. Just then another idea came to me: *All three were ahead of me!*"

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